

Message Text

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PAGE 01 CARACA 04140 092252Z

72

ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 XMB-07 OPIC-12 PA-04

PRS-01 USIA-15 SWF-02 AGR-20 EUR-25 EA-11 TAR-02 IO-14

DRC-01 /262 W

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R 092119Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3736

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: STATUS OF LNG PROJECT

REF: CARACAS 3869

1. CARACAS PRESS MAY 9 CARRIES REPORTS OF ANNOUNCEMENT MADE IN WASHINGTON BY PETROLEUM COUNSELOR OF VENEZUELAN EMBASSY TO EFFECT THAT VENEZUELAN GOVERNMENT IS POSTPONING (BUT NOT CANCELLING) LNG PROJECT, PENDING FURTHER CONSIDERATION OF AVAILABILITY OF SUFFICIENT SUPPLIES OF NATURAL GAS. THIS ACCORDS WITH INFORMATION REPORTED BY EMBASSY REFTEL FOLLOWING DISCUSSIONS OF THIS SUBJECT WITH DIRECTOR GENERAL OF STATE OIL COMPANY (CVP) AND MINISTER OF MINES.

2. MEANWHILE, CVP IS CONTINUING WITH ITS PLANNING FOR LNG PROJECT AND, ALTHOUGH SOMEWHAT DISCOURAGED BY WANING ENTHUSIASM AT POLITICAL LEVEL, IS STILL HOPING THAT ULTIMATELY THERE WILL BE A FAVORABLE DECISION ON DEVELOPING LNG INDUSTRY IN VENEZUELA. OSWALDO LECUNA,
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PAGE 02 CARACA 04140 092252Z

DIRECTOR OF TRANSPORTATION FOR LNG PROJECT, WHO MET WITH PETROLEUM

ATTACHE MAY 8, SAID THAT CVP IS STILL HOPING TO RECEIVE BIDS FOR CONSTRUCTION OF PLANT FROM FOUR COMPANIES - TWO AMERICAN, ONE ITALIAN AND ONE JAPANESE. COMPANIES HAVE REQUESTED POSTPONEMENT OF DEADLINE FOR THESE BIDS, WHICH WERE REQUESTED BY PREVIOUS GOVERNMENT AND MAY NOT BE MEANINGFUL TO PRESENT GOVERNMENT, GIVEN UNCERTAINTY ABOUT WHETHER OR NOT IT WILL GO FORWARD WITH PROJECT.

3. LECUNA, AND OTHERS WHO HAVE BEEN WORKING ON LNG PROJECT IN CVP, ARE WORKING HARD TO SELL PROJECT TO NEW VENEZUELAN GOVERNMENT. FROM HIS REMARKS, IT BECAME CLEAR THAT THEIR TACTIC WILL BE TO PROPOSE SMALLER PLANT IF GOVERNMENT MAINTAINS THAT THERE IS INSUFFICIENT GAS FOR PLANT OF SIZE PROPOSED BY PREVIOUS GOVERNMENT. IT IS NOT AT ALL CERTAIN, HOWEVER, THAT SUCH A GAMBIT WOULD BE SUCCESSFUL SINCE REAL PROBLEM IS NOT SHORTAGE OF GAS BUT GOVERNMENT'S APPARENT DISINCLINATION

TO EXPORT GAS IN FORM OF LNG FOR FUEL. CLEARLY THERE IS A STRONG ELEMENT WITHIN AD GOVERNMENT WHICH WOULD PREFER TO PRESERVE GAS FOR "HIGHER" USES SUCH AS PRODUCING ALUMINUM, STEEL, AND PETROCHEMICALS.

4. ON BASIS OF STUDIES MADE TO DATE, LECUNA DOES NOT SEE CLEAR ADVANTAGE IN EXPORTING LNG TO ANY PARTICULAR AREA OF U.S. IN PREFERENCE TO ANOTHER AREA OF U.S. RANGE OF POSSIBLE DESTINATIONS, IF PROJECT SHOULD GO FORWARD, COVERS ENTIRE U.S. GULF COAST AND EAST COAST. CLOSER DESTINATIONS WOULD OFFER SOMEWHAT LOWER TRANSPORTATION COSTS BUT DECISIVE FACTOR WOULD PROBABLY BE WHICH DESTINATION WOULD OFFER CVP BEST PRICE FOR ITS GAS.

5. LECUNA RECOGNIZES THAT PRICE IS BECOMING AN IMPORTANT CONSIDERATION IN U.S., AND THAT TOO HIGH A PRICE COULD RUIN CHANCE FOR FPC APPROVAL. AT SAME TIME, HE RECOGNIZES THAT ENORMOUS INCREASES IN WORLD OIL PRICES WOULD MAKE VENEZUELAN GOVERNMENT POLITICALLY VULNERABLE IF IT SHOULD SELL ITS NATURAL GAS TO CHEAPLY.
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Message Attributes

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